



NORTH CAROLINA CENTRAL UNIVERSITY



2011 Annual Financial Report

Fiscal year ended June 30, 2011
Durham, NC

Table of Contents

Introductory Section

Mission Statement	04
Research at NCCU	05
Board of Trustees	06

Financial Section

Letter from VC for Financial Affairs	09
Management Discussion & Analysis	10
NCCU Statement of Net Assets	17
NCCU Statement of Revenues, Expenses and Changes in Net Assets	19
NCCU Statement of Cash Flows	20
Statement of Financial Position- Component Unit	22
Statement of Activities	23
Financial Highlights	24
Notes to the Financial Statements	25

Supplemental Information Section

Alumni & Friends	52
School of Law	53
Athletics	54

NORTH CAROLINA CENTRAL UNIVERSITY



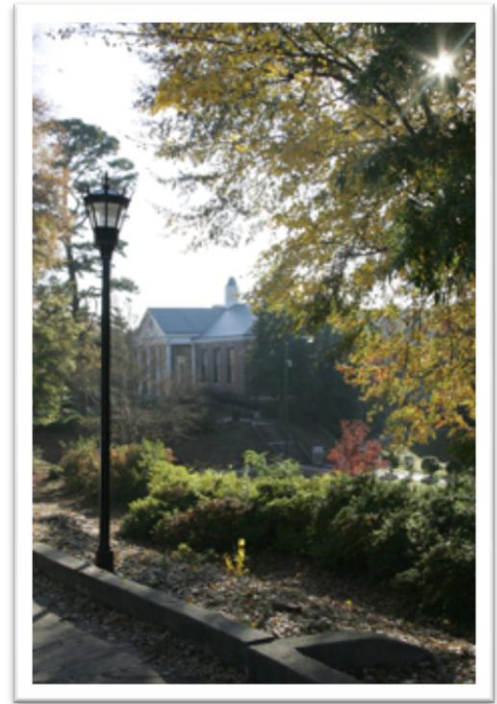
Biomanufacturing Research Institute and Technology Enterprise (BRITE)

Introductory Section

University Mission

North Carolina Central University is a comprehensive university offering programs at the baccalaureate, master's, and selected professional levels. It is the nation's first public liberal arts institution founded for African-Americans. The university upholds a strong liberal arts tradition and a commitment to academic excellence in a diverse educational and cultural environment. It seeks to encourage intellectual productivity and to increase the academic and professional skills of its students and faculty.

The mission of the university is to prepare students academically and professionally to become leaders prepared to advance the consciousness of social responsibility in a diverse, global society. The university will serve its traditional clientele of African-American students; it will also expand its commitment to meet the educational needs of a student body that is diverse in race and other socioeconomic qualities.



Teaching, supported by research, is the primary focus of the university. As a part of that focus, the university encourages its faculty to pursue intellectual development and rewards effective teaching and research. The university recognizes, however, the mutually reinforcing impact of scholarship and service on effective teaching and learning. North Carolina Central University, therefore, encourages and expects faculty and students to engage in scholarly, creative, and service activities, which benefit the community.

University Vision

NCCU's vision is to be recognized as one of the nation's leading institutions for academic excellence in a diverse cultural and educational environment.

NCCU's Six Core Values

- Excellence in Teaching, Research, Scholarship, and Creativity
- Access to Education and Effective Development Opportunities
- Promotion of Citizenship, Service, and Social Justice
- Appreciation of and Respect for Diverse Perspectives
- Superb Customer Service
- Commitment to Life-Long Learning

Research at NCCU

North Carolina Central University is investing millions of dollars in state-of-the-art research facilities, cutting-edge technology and new degree programs that will be critical to the success of our students and, ultimately, our world. We are also securing funding to advance our research projects.



NCCU has two top flight biotechnology research institutes--BRITE (Biomanufacturing Research Institute and Technology Enterprise) and BBRI (Biomedical/Biotechnology Research Institute). BRITE was developed to create a pool of outstanding, highly-trained students fully prepared for biotech jobs upon graduation. NCCU collaborated with biotechnology professionals and corporations to create an unique and innovative degree program offering students research opportunities, education and experiential training in biotechnology and biomanufacturing with a bachelor of science or a master of pharmaceutical science, and eventually a Ph.D.

BBRI is an innovative research and training institute dedicated to unearthing the mechanisms of disease and using that knowledge to pinpoint cures. BBRI is attracting creative researchers and fostering a creative, scientific community. BBRI is investigating health disparities in minorities from genetics to lifestyle, from social learning to education to health care services. BBRI is leading the way, helping to reinvent approaches to diseases such as glaucoma, brain disorders, cardiovascular disease, diabetes, cancer and obesity. North Carolina Central University is investing millions of dollars in state-of-the-art research facilities, cutting-edge technology and new degree programs that will be critical to the success of our students and, ultimately, our world. We are also securing funding to advance our research projects.

Board Members



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NORTH CAROLINA CENTRAL UNIVERSITY



2011 Financial Section



To: Chancellor Charlie Nelms and Members of the
Board of Trustees of North Carolina Central University

I am pleased to present the Annual Financial Report of North Carolina Central University for the year ended June 30, 2011. The report contains the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. The supplemental information includes notes to the financial statements and Management's Discussion and Analysis.

The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and the National Association of College and University Business Officers. The objective of these statements is to present financial data in a more useful and understandable format for the readers.

Management believes the financial statements and accompanying notes present fairly the financial position of the University at June 30, 2011. Management also believes that the University's system of internal controls provides reasonable assurance that assets are safeguarded and that transactions are properly recorded.

Sincerely,

Wendell M. Davis

Wendell M. Davis

Vice Chancellor for Administration and Finance

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NORTH CAROLINA CENTRAL UNIVERSITY IS A CONSTITUENT INSTITUTION OF THE
UNIVERSITY OF NORTH CAROLINA

Management's Discussion and Analysis is intended to give the reader an overview of factors that have affected operations and may affect operations in the future for North Carolina Central University (the University). Management has prepared the discussion and analysis to be read in conjunction with the financial statements and accompanying notes to the financial statements. The University is required by the Governmental Accounting Standards Board (GASB) to present three basic financial statements. Those statements are the Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. These statements provide both long-term and short-term financial information for North Carolina Central University.

Brief Institutional Highlights

During the year, the University established the "Commission on Enhancing the Intellectual Climate" dedicated to increasing scholarly expectations and engagement for students, faculty, and staff. At the same time, steps were taken to raise and enforce the academic standards for all students by increasing the minimum GPA requirement to matriculate from one term to the next. The University has been approved by UNC General Administration to plan a Ph.D. program in Integrated Biosciences that would start fall 2012.

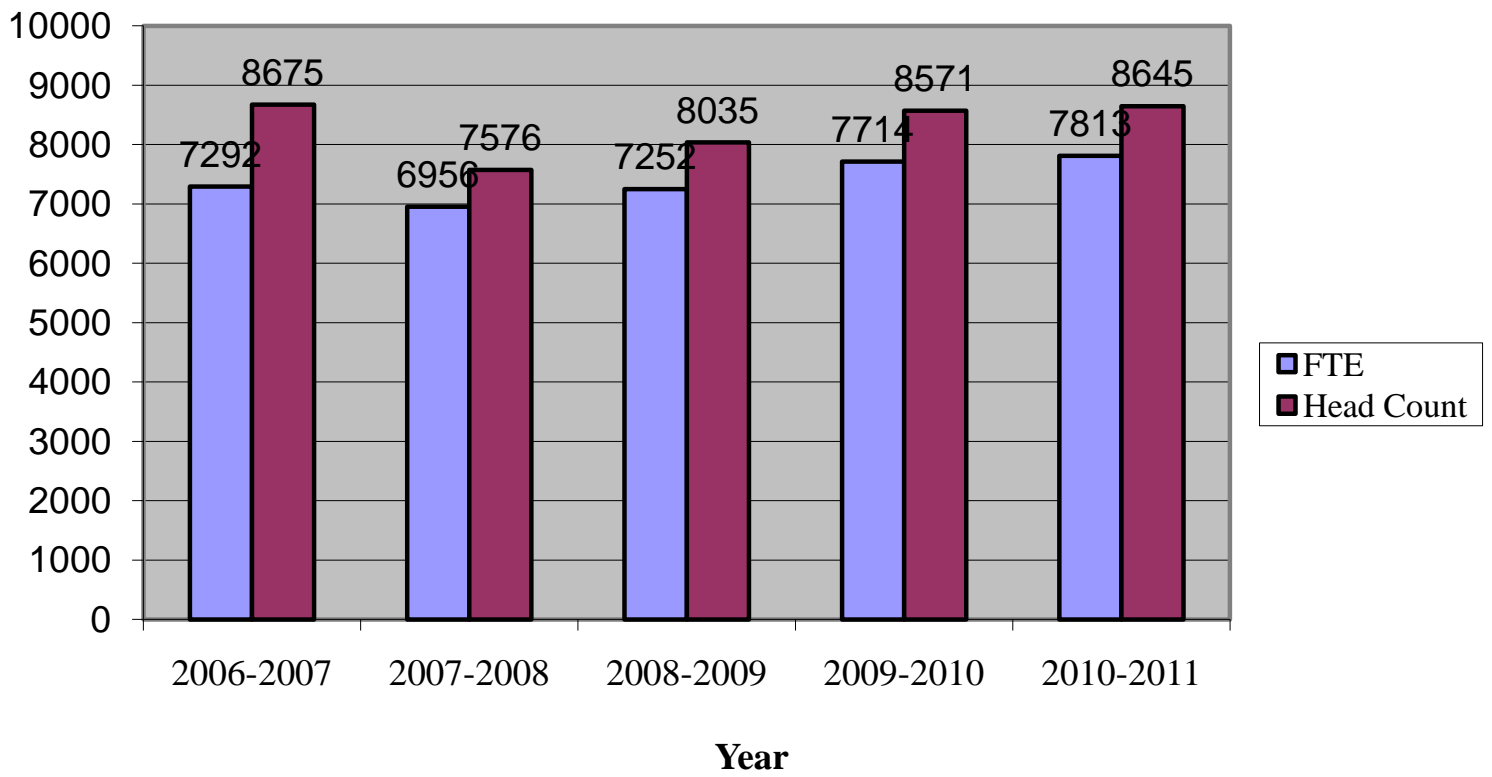
The University was once again ranked the number one public HBCU (Historically Black Colleges and Universities) and the School of Law was judged "Most Popular" by World News and Reports. Moreover, the *Campus Echo* (student-led newspaper) continued award-winning journalism and earned 16 awards from the National HBCU Student News Media Conference.

Adjusted State appropriations were \$83.1 million for fiscal year 2011, which was a .9% decrease over fiscal year 2010. The total University budget, including receipts, for fiscal year 2011 was \$136.7 million as compared to \$129.2 million in 2010, a 5.9% increase. The increase in the total University's budget was a result of receiving enrollment growth funding, increased tuition receipts, and additional funding for retirement and health insurance costs.

The Office of Institutional Advancement continued raising the awareness of the importance of giving during the University's centennial year. During the fiscal year, the Office of Institutional Advancement generated \$3.5 million in total fundraising, which includes pledges and other gifts of \$1.2 million.

During the past academic year, the University's total enrollment virtually stayed flat with a slight increase of seventy-four (74) students. The flat enrollment is a direct result of enforcing academic policies, beginning to increase the academic profile, and the economic conditions affecting affordability of education. Although enrollment was flat, the University has increased its applicant pool, which has yielded well-rounded and talented enrollees.

FTE and Head Count from 2006 to 2011



Financial Highlights

Condensed Statement of Net Assets

Assets	2011	2010
Current Assets	\$ 36,157,006	\$ 30,213,916
Capital Assets, Net	287,843,337	238,117,368
Other Assets	33,234,126	64,084,189
Total Assets	357,234,469	332,415,473
Liabilities		
Current Liabilities	27,424,573	16,809,817
Noncurrent Liabilities	102,416,332	95,568,588
Total Liabilities	129,840,905	112,378,405
Net Assets		
Invested in Capital Assets, Net of Related Debt	201,192,472	194,885,998
Restricted - Expendable	16,605,488	9,235,200
Restricted - Nonexpendable	12,889,183	13,047,872
Unrestricted	(3,293,579)	2,867,998
Total Net Assets	\$ 227,393,564	\$ 220,037,068

The Statement of Net Assets reports all assets and liabilities of the University; additionally, the Statement classifies those assets and liabilities as current and noncurrent depending on the availability of the assets or satisfaction of the obligation within 12 months (current) or longer. This Statement also reports the net assets, which is the difference between the total assets and total liabilities. The reader may use the net assets to gauge the financial position of the University as of June 30, 2011.

As of June 30, 2011, the University's total assets were \$357.2 million as compared to \$332.4 million in the prior year, an increase of \$24.8 million. This increase is due to Capital Assets (Construction in Progress) having increased \$47.5 million for Chidley North and the Nursing Building, the borrowing of \$6.5 million for Energy Performance Contracting of which \$5.7 remained unspent, and a decrease of \$27 million in the fall 2009 UNC System Pool Revenue Bond cash.

The University's liabilities totaled \$129.8 million at June 30, 2011 and \$112.4 million at June 30, 2010. The June 30, 2011 balance consisted primarily of the debt service on the UNC System Pool Revenue Bonds, Series 2009C (\$60.1 million) and student housing bonds (\$25.8 million). The increase in liabilities is \$17.5 million and is directly attributable to the University having an increase in accounts payable to vendors for small renovation projects, contract retainage, and borrowing for the Energy Performance Contract.

The total current liabilities of \$27.4 million were covered 1.3 times by current assets of \$36.2 million, which indicates the University's ability to pay current liabilities as they become due. Total net assets are \$227.4 million, which is an increase of \$7.4 million from the prior year.

Condensed Statement of Revenues, Expenses, and Changes in Fund Net Assets

	2011	2010
Operating Revenues		
Student Tuition and Fees, Net	37,607,150	\$ 32,955,442
Contracts and Grants	\$ 10,484,941	8,099,123
Sales and Services, Net	18,292,163	18,149,809
Other Operating Revenues	1,193,754	651,868
	<hr/>	<hr/>
Total Operating Revenues	67,578,008	59,856,242
Operating Expenses		
Salaries and Benefits	117,926,798	110,929,926
Supplies and Materials	15,607,380	14,022,869
Services	38,778,480	32,493,546
Scholarships and Fellowships	16,542,921	12,982,899
Utilities	5,032,691	5,026,724
Depreciation	7,408,520	7,188,423
Operating Expenses	<hr/> 201,296,790 <hr/>	<hr/> 182,644,387 <hr/>
Operating Loss	<hr/> (133,718,782) <hr/>	<hr/> (122,788,145) <hr/>
Nonoperating Revenues and Expenses		
State Appropriations	83,148,256	83,871,676
State Aid - Federal Recovery Funds	5,340,833	4,678,200
Noncapital Grants	38,649,249	33,624,349
Noncapital Gifts	166,914	147,961
Investment Income	3,323,954	1,635,025
Other Nonoperating Expenses	<hr/> (2,944,658) <hr/>	<hr/> (1,042,055) <hr/>
Loss Before Other Revenues	<hr/> (6,034,234) <hr/>	<hr/> 127,011 <hr/>
Capital Grants	13,390,730	2,265,566
Capital Gifts	<hr/> - <hr/>	<hr/> 4,800 <hr/>
Total Other Revenues	<hr/> 13,390,730 <hr/>	<hr/> 2,270,366 <hr/>
Increase in Net Assets	<hr/> 7,356,496 <hr/>	<hr/> 2,397,377 <hr/>
Net Assets- Beginning of the Year	<hr/> 220,037,068 <hr/>	<hr/> 217,639,691 <hr/>
Net Assets - End of Year	<hr/> \$ 227,393,564 <hr/>	<hr/> \$ 220,037,068 <hr/>

The Statement of Revenues, Expenses, and Changes in Net Assets reports the revenues earned and expenses incurred during the fiscal year. The increase or decrease of revenues over expenses directly affects (increases/decreases) the total net assets reported on the Statement of Net Assets. These transactions are classified as operating or non-operating. Operating revenues primarily consist of student tuition and fees reported net of discounts and scholarship allowances, federal and state contracts and grants, and auxiliary sales and services revenues. Operating expenses primarily consist of salaries, supplies, services, scholarships, utilities, and depreciation.

Operating revenues of \$67.6 million at June 30, 2011, increased by \$7.7 million when compared to 2010. The increase was due to noticeable changes in student tuition and fees and sales and services revenues. Student Tuition and Fees increased \$4.7 million, which is the result of raising tuition by 5% and fees by 4.75%. Contracts and grants increased \$2.4 million as a result of increased funding for research grants such as National Science Foundation (ARRA), National Aeronautics and Space Administration (CADRE), and the National Institutes of Health (Cardiovascular Health).

Operating expenses increased by \$10.9 million when compared to 2010. Salaries and benefits for University employees, services, and scholarships and fellowships were the major components of this change. Salaries and Benefits increased \$7 million due to increases in retirement and health insurance rates and the use of adjuncts to support unmet teaching loads. Services increased \$6.3 million due to focused attention to small campus renovation projects, food service, athletic, and health services expenditures. Scholarships and fellowships increased \$3.6 million due to an increase of federally funded student financial aid for Pell, SEOG, and other grants as discounted.

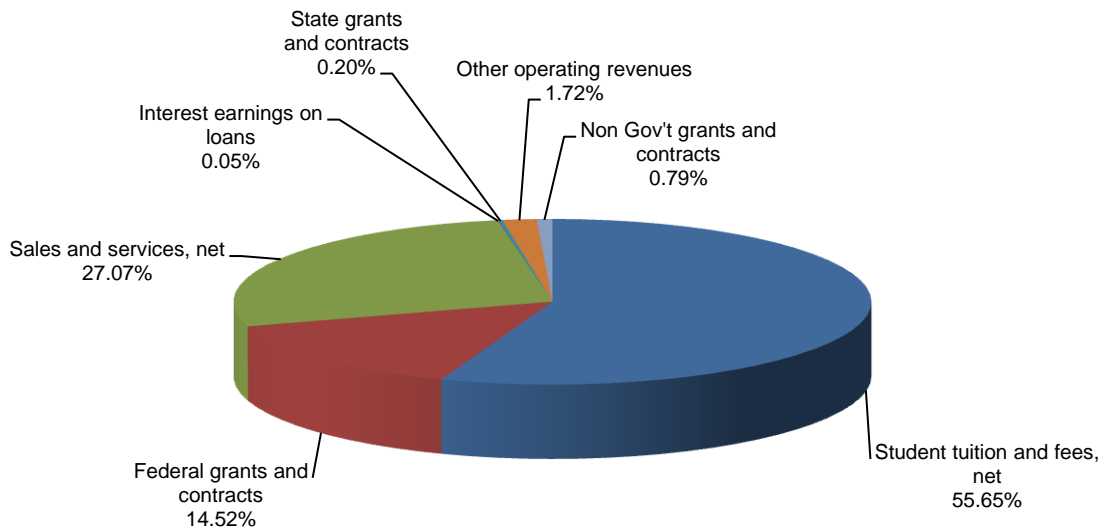
Overall, the University sustained a total operating loss of \$133.7 million in the current fiscal year, which is \$10.9 million more than the loss in fiscal year 2010. Operating losses are likely to continue due, in part, to the accounting requirement to categorize state appropriations (a major source of funding) as nonoperating revenues. In 2011, state appropriations were \$83.1 million.

Nonoperating revenues and expenses stem from transactions that occur outside of the primary scope of the University's existence and for which no goods or services are provided. State appropriations, capital grants, noncapital grants and gifts, investment income/expenses, and capital-related interest primarily represent the non-operating revenues and expenses.

Of the nonoperating revenues (\$133.7 million), there were noticeable changes in the noncapital grants. Noncapital grants increased by \$5 million due to the increase in Pell, SEOG, and Title III funding.

At the end of the fiscal year, the state of North Carolina received federal recovery funds to stabilize the state's budget. The University received \$5.3 million, which was recorded as nonoperating revenue.

Operating Revenues by Source



Capital Assets and Debt Administration

The Construction in Progress balance as June 30, 2011 was \$50.5 million, which included two major projects: new student housing (\$25.2 million) and the nursing building (\$18.1 million). Outstanding commitments for ongoing construction projects were \$15.3 million as of June 30, 2011. For additional information concerning Capital Assets, see Notes 1(H), 6, and 16(A), in the Notes to the Financial Statements.

As of June 30, 2011, the University had \$91.4 million in outstanding bonds and notes payable of which \$60 million was for outstanding bonds issued by the University of North Carolina System Pool Revenue Bonds, Series 2009C to complete the construction of student housing and a parking deck and renovations to the Walker Athletic Complex. Additionally, the university executed a bank note (\$6.5 million) to secure an Energy Performance Contract.

For additional information concerning debt administration, see Note 9 in the Notes to the Financial Statements.

Economic Outlook

Given the continued economic conditions of the State and nation, North Carolina Central University recognizes the sustained impact that these conditions will have upon the campus community. Budgetarily, the University will see reductions in its appropriations to adjust for expected decreases in the State's revenues. For 2011-2012, the University's budget was reduced by 14% (\$13 million) on appropriated funds. In response to the unstable economy, the University will continue to strategically manage vacant positions, reorganize and restructure departmental units to be more efficient, purchase only goods and services critical to daily operations, limit travel to that which enhances delivery of services to all customers, and enhance fundraising strategies for private contributions.

Even though the economy is slowly rebounding, North Carolina Central has continued to see an increased applicant pool. However, total enrollment reached 8,349 for fall 2011, which is a 3.2% decline from last fall. The decline is directly attributable to the University's efforts to raise the academic standards. The fall 2010 retention rate was 68% as a result of the efforts and resources invested into the repurposed University College to focus intensely on student success and competitiveness.

Lastly, North Carolina Central University's faculty continues writing, applying, and receiving research grant funds to augment State funding. Research is one of three components that faculty must strive to accomplish. The Sponsored Research Office works diligently with faculty to provide ongoing training and opportunities for research. Through our dedicated faculty and staff, we will continue to fulfill our mission of serving the State, nation, and the world through teaching, research, and service.

NORTH CAROLINA CENTRAL UNIVERSITY

Statement of Net Assets

June 30, 2011 (Unaudited)

Page 1 of 2

ASSETS

Current Assets:

Restricted Cash and Cash Equivalents	19,233,757
Restricted Short-Term Investments	1,039,846
Receivables, Net (Note 4)	13,679,699
Due from Primary Government	40,097
Due from University Component Units	1,385,646
Inventories	693,809
Notes Receivable, Net (Note 4)	84,152

Total Current Assets	36,157,006
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Noncurrent Assets:

Restricted Cash and Cash Equivalents	12,152,002
Endowment Investments	18,242,418
Deferred Charges	550,373
Deferred Outflow of Resources	861,724
Notes Receivable, Net (Note 4)	2,245,081
Capital Assets - Nondepreciable (Note 5)	58,573,133
Capital Assets - Depreciable, Net (Note 5)	228,452,732

Total Noncurrent Assets	321,077,463
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Total Assets	357,234,469
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LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	19,787,819
Due to Primary Government	19,314
Funds Held for Others	1,385,646
Unearned Revenue	926,484
Interest Payable	1,129,795
Long-Term Liabilities - Current Portion (Note 7)	4,175,515

Total Current Liabilities	27,424,573
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Noncurrent Liabilities:

Deposits Payable	650
U. S. Government Grants Refundable	2,338,928
Hedging Derivative Liability	861,724
Long-Term Liabilities (Note 7)	99,215,030

Total Noncurrent Liabilities	102,416,332
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Total Liabilities	129,840,905
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North Carolina Central University
Statement of Net Assets
June 30, 2011 (Unaudited)

Page 2 of 2

NET ASSETS

Invested in Capital Assets, Net of Related Debt	201,192,472
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	4,439,793
Endowed Professorships	8,193,855
Loans	255,535
Expendable:	
Scholarships and Fellowships	2,697,482
Research	1,394,850
Endowed Professorships	4,397,150
Departmental Uses	1,017,753
Capital Projects	2,896,194
Debt Service	4,192,487
Other	9,572
Unrestricted	<u>(3,293,579)</u>
Total Net Assets	<u>\$ 227,393,564</u>

The accompanying notes to the financial statements are an integral part of this statement.

NORTH CAROLINA CENTRAL UNIVERSITY

Statement of Revenues, Expenses, and Changes in Net Assets

For the Fiscal Year Ended June 30, 2011 (Unaudited)

REVENUES

Operating Revenues:

Student Tuition and Fees, Net (Note 10)	\$ 37,607,150
Sales and Services, Net (Note 10)	18,292,163
Federal Grants and Contracts	9,815,046
State and Local Grants and Contracts	133,048
Nongovernmental Grants and Contracts	536,847
Interest Earnings on Loans	32,330
Other Operating Revenues	1,161,424

Total Operating Revenues	67,578,008
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EXPENSES

Operating Expenses:

Salaries and Benefits	117,926,798
Supplies and Materials	15,607,380
Services	38,778,480
Scholarships and Fellowships	16,542,921
Utilities	5,032,691
Depreciation	7,408,520

Total Operating Expenses	201,296,790
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Operating Loss	(133,718,782)
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NONOPERATING REVENUES (EXPENSES)

State Appropriations	83,148,256
State Aid - Federal Recovery Funds	5,340,833
Noncapital Grants - Student Financial Aid	24,175,124
Other Noncapital Grants	14,474,125
Noncapital Gifts, Net (Note 10)	166,914
Investment Income (Net of Investment Expense of \$94,596)	3,323,954
Interest and Fees on Debt	(3,475,616)
Other Nonoperating Revenues (Expenses)	530,958

Net Nonoperating Revenues	127,684,548
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Income Before Other Revenues, Expenses, Gains, or Losses	(6,034,234)
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Capital Grants	13,390,730
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Increase (Decrease) in Net Assets	7,356,496
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NET ASSETS

Net Assets - July 1, 2010	220,037,068
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Net Assets - June 30, 2011	\$ 227,393,564
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The accompanying notes to the financial statements are an integral part of this statement.

NORTH CAROLINA CENTRAL UNIVERSITY

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2011 (Unaudited)

Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 67,462,288
Payments to Employees and Fringe Benefits	(118,392,211)
Payments to Vendors and Suppliers	(55,160,628)
Payments for Scholarships and Fellowships	(16,542,921)
Loans Issued	(270,539)
Collection of Loans	121,464
Interest Earned on Loans	32,661
Other Receipts	808,695
	<hr/>
Net Cash Provided (Used) by Operating Activities	(121,941,191)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Appropriations	83,148,256
State Aid - Federal Recovery Funds	5,340,833
Noncapital Grants - Student Financial Aid	35,030,679
Noncapital Grants	607,669
Noncapital Gifts	166,914
Additions to Endowments	1,590,143
William D. Ford Direct Lending Receipts	78,538,501
William D. Ford Direct Lending Disbursements	(78,538,501)
Related Activity Agency Disbursements	(365,852)
Other Receipts (Payments)	(320,215)
	<hr/>
Net Cash Provided (Used) by Noncapital Financing Activities	125,198,427

CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES

Proceeds from Capital Debt	6,532,959
Capital Grants	13,966,885
Acquisition and Construction of Capital Assets	(46,657,731)
Principal Paid on Capital Debt and Leases	(2,603,083)
Interest and Fees Paid on Capital Debt and Leases	(2,376,862)
	<hr/>
Net Cash Provided (Used) by Capital Financing and Related Financing Activities	(31,137,832)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments	6,098,121
Investment Income	392,415
Purchase of Investments and Related Fees	(5,693,855)
	<hr/>
Net Cash Provided by Investing Activities	796,681
	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	(27,083,915)
Cash and Cash Equivalents - July 1, 2010	58,469,674
	<hr/>
Cash and Cash Equivalents - June 30, 2011	\$ 31,385,759

NORTH CAROLINA CENTRAL UNIVERSITY

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2011 (Unaudited)

Page 2 of 2

RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating Loss	\$ (133,718,782)
Adjustments to Reconcile Operating (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation/ Amortization Expense	7,408,520
Allowances, Write-Offs, and Amortizations	(906,572)
Nonoperating Other Income (Expenses)	
Changes in Assets and Liabilities:	
Receivables (Net)	231,632
Inventories	(133,126)
Notes Receivable (Net)	(149,075)
Accounts Payable and Accrued Liabilities	3,279,934
Due to Primary Government	(129,196)
Due to Federal Agencies	17,061
Unearned Revenue	670,951
US Government Grants Refundable	808,695
Compensated Absences	678,767
Net Cash Provided (Used) by Operating Activities	<u>\$ (121,941,191)</u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Restricted Cash and Cash Equivalents	19,233,757
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	<u>12,152,002</u>
Total Cash and Cash Equivalents - June 30, 2011	<u>\$ 31,385,759</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through the Assumption of a Liability	\$ 9,540,415
Assets Acquired through the Assumption of a Capital Lease	4,898,102
Change in Fair Value of Investments	2,466,988
Loss on Disposal for Capital Assets	261,779

The accompanying notes to the financial statements are an integral part of this statement.

***North Carolina Central University Foundation,
Inc.
Statement of Financial Position
June 30, 2011 (Unaudited)***

ASSETS

Cash and Cash Equivalents	\$	1,808,305
Investments		10,958,263
Cash Surrender Value of Life Insurance		183,458
Receivables, Net		785,762
Notes/Loans Receivable, Net		27,000
Property and Equipment, Net		<u>220,084</u>
Total Assets		<u>13,982,872</u>

LIABILITIES

Accounts Payable and Accrued Expenses		197,570
Due to University and Other Foundations		<u>1,432,829</u>
Total Liabilities		<u>1,630,399</u>

NET ASSETS

Unrestricted		2,002,194
Temporarily Restricted		1,561,494
Permanently Restricted		<u>8,788,785</u>
Total Net Assets	\$	<u><u>12,352,473</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

NORTH CAROLINA CENTRAL UNIVERSITY
Statement of Activities
For the Fiscal Year Ended June 30, 2011 (Unaudited)

	NCCU Foundation
CHANGES IN UNRESTRICTED NET ASSETS	
Revenues and Gains:	
Contributions	\$ 81,688
Other Investment Income	5,904
Other	222,688
Total Unrestricted Revenues and Gains	310,280
Net Assets Released from Restrictions:	
Satisfaction of Program Restrictions	1,388,815
Total Net Assets Released from Restrictions	1,388,815
Total Unrestricted Revenues, Gains, and Other Support	1,699,095
Expenses and Losses:	
Scholarships and Grants	412,343
University Support	976,472
Management and General	265,888
Total Expenses	1,654,703
Loss	
Total Expenses and Losses	1,654,703
The accompanying notes to the financial statements are an integral part of this statement	
Increase (Decrease) in Unrestricted Net Assets	44,392
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS	
Contributions	1,015,213
Other	93,056
Income on Long-Term Investments	1,886,451
Net Assets Released from Restrictions:	
Satisfaction of Program Restrictions	(1,388,815)
Increase (Decrease) in Temporarily Restricted Net Assets	1,605,905
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS	
Contributions	930,493
Other	31,631
Net Unrealized and Realized Gains on Long-Term Investments	
Increase (Decrease) in Permanently Restricted Net Assets	962,124
Increase (Decrease) in Net Assets	2,612,421
Net Assets at Beginning of Year	9,740,052
Net Assets at End of Year	\$ 12,352,473

The accompanying notes to the financial statements are an integral part of this statement.

FINANCIAL HIGHLIGHTS

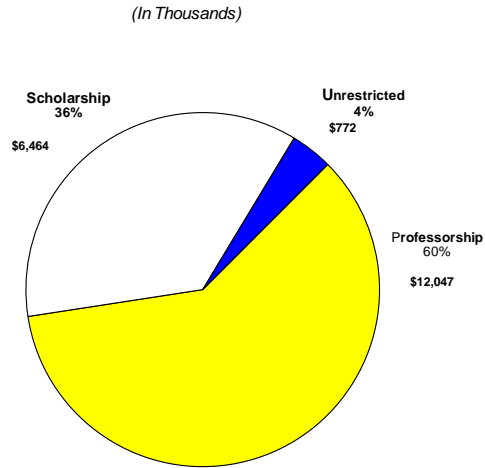
ENDOWMENT FUND JUNE 30, 2011

Investments of the University's Endowment Fund earn income to fund professorships, scholarships and other important departmental and University needs. Of the \$19,282,264 total assets (market value) at June 30, 2011, \$12,046,631 represented professorships, \$7,235,633 represented scholarships and \$771,427 represented unrestricted endowments.

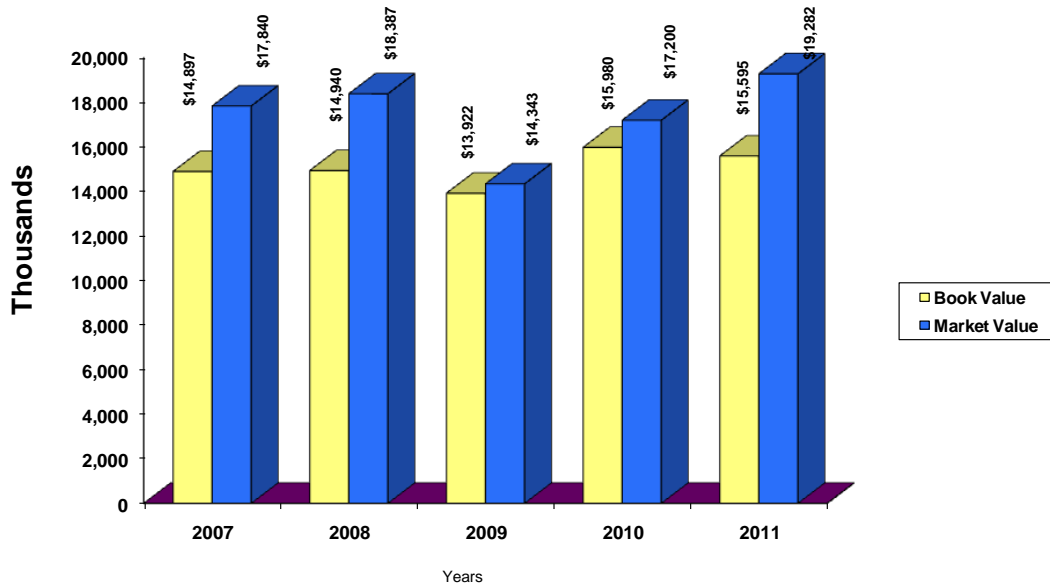
Net endowment income was \$67,001 for the fiscal year. The University expended \$117,448 for scholarships.

As of June 2003, professorship funds were managed by Piedmont Investment Advisors, LLC of North Carolina and the scholarship funds as of July 1, 2006 were managed by UNC Management Company, Inc.

Total assets of the Endowment Fund have increased from \$17,840,000 (market) at June 30, 2007 to \$19,282,264 (market) as of June 30, 2011.



ENDOWMENT FUND JUNE 30, 2007 - JUNE 30, 2011



NORTH CAROLINA CENTRAL UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Financial Reporting Entity** - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. North Carolina Central University is a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina and an integral part of the State's *Comprehensive Annual Financial Report*.

The accompanying financial statements present all funds belonging to the University and its component units. While the Board of Governors of the University of North Carolina System has ultimate responsibility, the Chancellor, the Board of Trustees, and the Board of Trustees of the Endowment Fund have delegated responsibilities for financial accountability of the University's funds. The University's component units are either blended or discretely presented in the University's financial statements. The blended component unit, although legally separate, are, in substance, part of the University's operations and therefore, are reported as if they were part of the University. Discretely presented component units' financial data are reported in separate financial statements because of their use of different GAAP reporting models and to emphasize their legal separateness.

Blend Component Unit - Although legally separate, the NCCU Real Estate Foundation, Inc. (Real Estate Foundation), a component unit of the University, is reported as if it was part of the University.

The Real Estate Foundation is governed by a five member board whose purpose is to acquire property and to construct and own residential facilities for students. Because the elected directors of the Real Estate Foundation are appointed by the Chancellor and the Real Estate Foundation's sole purpose is to benefit North Carolina Central University, its financial statements have been blended with those of the University.

Separate financial statements for the Real Estate Foundation may be obtained from the University Comptroller's Office, 1801 Fayetteville Street, Durham, NC 27707, or by calling 919-530-7432. Other related foundations and similar nonprofit corporations for which the University is not financially accountable are not part of the accompanying financial statements.

Discretely Presented Component Unit - The North Carolina Central University Foundation, Inc. (NCCU Foundation) is a legally separate not-

for-profit corporation and is reported as discretely presented component unit based on the nature and significance of their relationship to the University.

The NCCU Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The NCCU Foundation board consists of 20 members. Although the University does not control the timing or amount of receipts from the NCCU Foundation, the majority of resources or incomes thereon that the NCCU Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the NCCU Foundation can only be used by, or for the benefit of the University, the NCCU Foundation is considered a component unit of the University and is reported in separate financial statements because of the difference in its reporting model, as described below.

The NCCU Foundation is a private not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. As such, certain revenue recognition criteria and presentation features are different from the Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to the NCCU Foundation's financial information in the University's financial reporting entity for these differences.

During the year ended June 30, 2011, the NCCU Foundation distributed \$949,850 to the University for both restricted and unrestricted purposes. The University remitted \$165,308 in payroll deducted employee contributions and \$189,332 in other reimbursements to the NCCU Foundation. Complete financial statements for the Foundation can be obtained from the University's Comptroller's Office, 1801 Fayetteville Street, Durham, NC 27707 or by calling 919-530-7432.

- B. Basis of Presentation** - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, the full scope of the University's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the University does not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date.

- C. Basis of Accounting** – The financial statements of the University have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows.

Nonexchange transactions, in which the University receives (or gives) value without directly giving (or receiving) equal value in exchange includes State appropriations, certain grants, and donations. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, if probable of collection.

- D. Cash and Cash Equivalents** - This classification includes petty cash, cash on deposit with private bank accounts, money market accounts, cash on deposit with fiscal agents, and deposits held by the State Treasurer in the short-term investment fund. The short-term investment fund maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

- E. Investments** - Investments generally are reported at fair value, as determined by quoted market prices or an estimated amount determined by management if quoted market prices are not available. Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the investments. The net increase (decrease) in the fair value of investments is recognized as a component of investment income.

Money market funds are reported at cost, if purchased or at fair value or appraised value at date of gift, if donated.

Endowment investments include the principal amount of gifts and bequests that, according to donor restrictions, must be held in perpetuity or for a specified period of time, along with any accumulated investment earnings on such amounts. Further, endowment investments also include amounts internally designated by the University for investment in an endowment capacity (i.e. quasi-endowments), along with accumulated investment earnings on such amounts.

- F. Receivables** - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, State and local governments, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.
- G. Inventories** - Inventories, consisting of expendable supplies, are valued at cost using first-in, first-out method.
- H. Capital Assets** - Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The value of assets constructed

includes all material direct and indirect construction costs. Interest costs incurred are capitalized during the period of construction.

The University capitalizes assets that have a value or cost in excess of \$5,000 at the date of acquisition and an estimated useful life of more than one year. Land is capitalized regardless of cost. Library books are generally not considered to have a useful life of more than one year unless part of a collection and are expensed in the year of acquisition.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 10 to 75 years for general infrastructure, 50 to 75 years for buildings, and 5 to 25 years for equipment.

Art collections are capitalized at cost or fair value at the date of donation. These collections are considered inexhaustible and are therefore not depreciated.

- I. Restricted Assets** - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted or designated for the acquisition or construction of capital assets and resources legally segregated for the payment of principal and interest as required by debt covenants.
- J. Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include principal amounts of bonds payable, notes payable, capital lease obligations, and compensated absences that will not be paid within the next fiscal year.

Bonds payable are reported net of unamortized premiums or discounts and deferred losses on refunds. The University amortizes bond premiums/discounts over the life of the bonds using the straight-line method. The deferred losses on refunds are amortized over the life of the new debt using the straight-line method. Issuance costs are amortized over the life of the bonds.

- K. Compensated Absences** - The University's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1 (for SPA employees) and July 1 (for EPA non-faculty employees) or for which an employee can be paid upon termination of employment. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous December 31 plus the leave earned, less the leave taken between January 1 and June 30.

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses

awarded by the North Carolina General Assembly. The bonus leave balance on December 31 is retained by employees and transferred into the next calendar year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave.

There is no liability for unpaid accumulated sick leave because the University has no obligation to pay sick leave upon termination or retirement. However, additional service credit for retirement pension benefits is given for accumulated sick leave upon retirement.

L. Net Assets - The University's net assets are classified as follows:

Invested in Capital Assets, Net of Related Debt - This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted Net Assets - Nonexpendable - Nonexpendable restricted net assets include endowments and similar type assets whose use is limited by donors or other outside sources, and, as a condition of the gift, the principal is to be maintained in perpetuity.

Restricted Net Assets - Expendable - Expendable restricted net assets include resources for which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted Net Assets - Unrestricted net assets include resources derived from student tuition and fees, sales and services, unrestricted gifts, royalties, and interest income.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the University. For projects funded by tax-exempt debt proceeds and other sources, the debt proceeds are always used first.

M. Scholarship Discounts - Student tuition and fees revenues and certain other revenues from University charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. The scholarship discount is the difference between the actual charge for goods and services provided by the University and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, State, or nongovernmental programs, are recorded as nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. To the extent that revenues from these programs are used to satisfy

tuition, fees, and other charges, the University has recorded a scholarship discount.

- N. Revenue and Expense Recognition** - The University classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the University's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as (1) student tuition and fees, (2) sales and services of auxiliary enterprises, (3) certain federal, State, and local grants and contracts that are essentially contracts for services, and (4) interest earned on loans. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions and State appropriations that represent subsidies or gifts to the University, as well as investment income, are considered nonoperating since these are either, investing, capital, or noncapital financing activities. Capital contributions are presented separately after nonoperating revenues and expenses.

- O. Internal Sales Activities** - Certain institutional auxiliary operations provide goods and services to University departments, as well as to its customers. These institutional auxiliary operations include activities such as central stores, copy centers, and postal services. In addition, the University has other miscellaneous sales and service units that operated either on a reimbursement or charge basis. All internal sales activities to University departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.

NOTE 2 - DEPOSITS AND INVESTMENTS

- A. Deposits** - Unless specifically exempt, the University is required by *North Carolina General Statute* 147-77 to deposit moneys received with the State Treasurer or with a depository institution in the name of the State Treasurer. In addition, the University Of North Carolina Board Of Governors, pursuant to G.S. 116-36.1, requires the University to deposit its institutional trust funds, except for funds received for services rendered by health care professionals, with the State Treasurer. Although specifically exempted, the University may voluntarily deposit endowment funds, special funds, revenue bond proceeds, debt service funds, and funds received for services rendered by health care professionals with the State Treasurer. Special funds consist of

moneys for intercollegiate athletics and agency funds held directly by the University.

At June 30, 2011, the amount shown on the Statement of Net Assets as cash and cash equivalents includes \$29,742,053 which represents the University's equity position in the State Treasurer's Short-Term Investment Fund. The Short-Term Investment Fund (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission and does not have a credit rating) had a weighted average maturity of 1.9 years as of June 30, 2011. Assets and shares of the Short-Term Investment Fund are valued at amortized cost, which approximates fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's Short-Term Investment Fund) are included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Proceed directly to OSC's index page," then "Reports," or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

Cash on hand at June 30, 2011 was \$1,900. The carrying amount of the University's deposits not with the State Treasurer, including certificates of deposit, was \$1,641,806 and the bank balance was \$1,641,806. Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. Pursuant to G.S. 116-36.1, funds received for health care services not deposited with the State Treasurer shall be fully secured in the manner as prescribed by the State Treasurer for the security of public deposits. The University does not have a deposit policy for custodial credit risk. As of June 30, 2011, the University's uninsured and uncollateralized bank balance was \$1,476,800.

B. Investments

University - The University is authorized by The University of North Carolina Board of Governors pursuant to G.S. 116-36.2 and Section 600.2.4 of the Policy Manual of the University of North Carolina to invest its special funds and funds received for services rendered by health care professionals in the same manner as the State Treasurer is required to invest, as discussed below.

G.S. 147-69.1(c), applicable to the State's General Fund, and G.S. 147-69.2, applicable to institutional trust funds, authorize the State Treasurer to invest in the following: obligations of or fully guaranteed by the United States; obligations of certain federal agencies; repurchase agreements; obligations of the State of North Carolina; time deposits of specified institutions; prime quality commercial paper; and asset-backed securities with specified ratings. Also, G.S. 147-69.1(c) authorizes the following: specified bills of exchange or time drafts and corporate bonds and notes with specified ratings. G.S. 147-69.2 authorizes the following:

general obligations of other states; general obligations of North Carolina local governments; and obligations of certain entities with specified ratings.

In accordance with the bond resolutions, bond proceeds and debt service funds are invested in obligations that will by their terms mature on or before the date funds are expected to be required for expenditure or withdrawal.

G.S. 116-36(e) provides that the trustees of the Endowment Fund shall be responsible for the prudent investment of the Fund in the exercise of their sound discretion, without regard to any statute or rule of law relating to the investment of funds by fiduciaries but in compliance with any lawful condition placed by the donor upon that part of the Endowment Fund to be invested.

Investments of the University's component units, the Real Estate Foundation and the NCCU Foundation, are subject to and restricted by G.S. 36E "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) and any requirements placed on them by contract or donor agreements.

Investments of various funds may be pooled unless prohibited by statute or by terms of the gift or contract. The University utilizes investment pools to manage investments and distribute investment income. Purchases in the investments funds are allowed at the beginning of each month. Fund ownership is measured based on the participating funds purchases and accumulated gain/loss investment. This investment strategy, including the selection of investment managers, is based on the directives of the University's Endowment Board.

Investments are subject to the following risks.

Interest Rate Risk: Interest rate risk is the risk the University may face should interest rate variances affect the fair value of investments. The University does not have a formal policy that addresses interest rate risk.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University does not have a formal policy that addresses credit risk.

Long-Term Investment Pool - This is an internal investment pool that is utilized for the investment of the endowment funds. Fund ownership is measured using the unitized method. Under this method, each participating fund's investment balance is determined on the current market value per unit multiplied by the number of units purchased. The investment strategy, including the selection of investment managers, is based on the directives of the University's Endowment Board.

The following table presents the fair value of investments by type at June 30, 2011, for the Long-Term Investment Pool.

Long-Term Investment Pool

Investment Type	<u>Fair Value</u>
UNC Investment Fund	<u>\$ 15,128,145</u>

UNC Investment Fund, LLC - At June 30, 2011, the University's investments include \$15,128,145 which represents the University's equity position in the UNC Investment Fund, LLC (System Fund). The System Fund is an external investment pool that is not registered with the Securities and Exchange Commission and does not have a credit rating. Asset and ownership interests of the System Fund are determined on a market unit valuation basis each month. Investment risks associated with the System Fund are included in audited financial statements of the UNC Investment Fund, LLC which may be obtained from the UNC Management Company, Inc., 1400 Environ Way, Chapel Hill, NC 27517.

Non-Pooled Investments - The following table presents the fair value of investments by type and investments subject to interest rate risk at June 30, 2011, for the University's non-pooled investments.

Non-Pooled Investments

Investment Type	<u>Investment Maturities (in Years)</u>	
	<u>Fair Value</u>	<u>Less Than 1</u>
Debt Securities		
Money Market Mutual Funds	\$ 124,174	\$ <u>124,174</u>
Other Securities		
Domestic Stocks	<u>4,029,945</u>	
Total Non-Pooled Investments	<u>\$ 4,154,119</u>	

At June 30, 2011, the University's non-pooled investments included \$124,174 in unrated Money Market Mutual Funds.

Total Investments - The following table presents the fair value of the total investments at June 30, 2011:

Investment Type	Fair Value
Debt Securities	\$
Money Market Mutual Funds	124,174
Other Securities	
UNC Investment Fund	15,128,145
Domestic Stocks	4,029,945
Total Investments	\$ 19,282,264

Component Units - Investments of the University's discretely presented component unit, NCCU Foundation Inc., are subject to and restricted by G.S. 36E "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) and any requirements placed on them by contract or donor agreements. Because the NCCU Foundation reports under the FASB reporting model, disclosures of the various investment risks are not required.

The following is an analysis of investments by type:

Investment Type	Fair Value
Cash and Cash Equivalents	\$ 1,128,846
Equity Securities	6,959,401
Debt Securities	1,424,722
U.S. Government Obligations	1,445,519
Mutual Funds	
Exchange Traded Funds	
Alternative Investments	
Total Investments	\$ 10,958,488

C. Reconciliation of Deposits and Investment – A reconciliation of deposits and investments for the University of June 30, 2011, is as follows:

Cash on Hand	\$ 1,900
Amount of Deposits with Private Financial Institutions	1,641,806
Deposits in the Short Term Investment Fund	29,742,053
Investments in the UNC Investment Fund	15,128,145
Non-pooled Investments	<u>4,154,119</u>
Total Deposits and Investments	<u>\$ 50,668,023</u>
Current:	
Restricted Cash and Cash Equivalents	19,233,757
Noncurrent:	
Restricted Cash and Cash Equivalents	<u>12,152,002</u>
Total Deposits	<u>\$ 31,385,759</u>
Investments	
Current:	
Restricted Short-Term Investments	1,039,846
Noncurrent:	
Endowment Investments	<u>18,242,418</u>
Total Investments	<u>\$ 19,282,264</u>

NOTE 3 - ENDOWMENT INVESTMENTS

Investments of the University's endowment funds are pooled, unless required to be separately invested by the donor. If a donor has not provided specific instructions, State law permits the Board of Trustees to authorize for expenditure the net appreciation, realized and unrealized, of the investments of the endowment funds. Under the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA), authorized by the North Carolina General Assembly on March 19, 2009, the Board may also appropriate expenditures from eligible nonexpendable balances if deemed prudent and necessary to meet program outcomes and for which such spending is not specifically prohibited by the donor agreements. However, a majority of the University's endowment donor agreements prohibit spending of nonexpendable balances and therefore the related nonexpendable balances are not eligible for expenditure. During the year, the Board did not appropriate expenditures from eligible nonexpendable endowment funds

Investment return of the University's endowment funds is predicated on the total return concept (yield plus appreciation). Annual payouts from the University's endowment funds are based on an adopted spending policy which limits spending to 5.5% of the endowment principal's market value. If current year earnings do not meet the payout requirements, the University uses accumulated income and appreciation from restricted, expendable net asset endowment balances to make up the difference. At June 30, 2011, endowment net assets of \$5,622,661 were available to be spent, of which \$3,352,560 was restricted to specific purposes.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2011, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 7,316,973	\$ 3,847,592	\$ 3,469,381
Accounts	1,787,909		1,787,909
Intergovernmental	8,361,770		8,361,770
Investment Earnings	2,940		2,940
Interest on Loans	57,699		57,699
Total Current Receivables	\$ 17,527,291	\$ 3,847,592	\$ 13,679,699
Notes Receivable:			
Notes Receivable - Current:			
Federal Loan Programs	\$ 246,960	\$ 162,808	\$ 84,152
Notes Receivable - Noncurrent:			
Federal Loan Programs	\$ 6,761,831	\$ 4,516,750	\$ 2,245,081

NOTE 5 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2011, is presented as follows:

	Balance July 1, 2010 (as restated)	Increases	Decreases	Balance June 30, 2011
Capital Assets, Nondepreciable:				
Land and Permanent Easements	\$ 6,767,918	\$ 500,844	\$	\$ 7,268,762
Art, Literature, and Artifacts	823,640	4,000		827,640
Construction in Progress	22,135,463	47,531,130	19,189,862	50,476,731
Total Capital Assets, Nondepreciable	29,727,021	48,035,974	19,189,862	58,573,133
Capital Assets, Depreciable:				
Buildings	252,499,910	18,072,936	446,513	270,126,333
Machinery and Equipment	28,354,842	9,795,030	2,690,225	35,459,647
General Infrastructure	14,966,177		62,641	14,903,536
Total Capital Assets, Depreciable	295,820,929	27,867,966	3,199,379	320,489,516
Less Accumulated Depreciation/Amortization for:				
Buildings	66,777,485	4,732,591	388,041	71,122,035
Machinery and Equipment	11,599,735	2,069,986	2,351,635	11,318,086
General Infrastructure	9,053,362	605,943	62,642	9,596,663
Total Accumulated Depreciation	87,430,582	7,408,520	2,802,318	92,036,784
Total Capital Assets, Depreciable, Net	208,390,347	20,459,446	397,061	228,452,732
Capital Assets, Net	\$ 238,117,368	\$ 68,495,420	\$ 19,586,923	\$ 287,025,865

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2011, were as follows:

	<u>Amount</u>
Accounts Payable	\$ 15,687,594
Accrued Payroll	1,666,380
Contract Retainage	1,861,778
Intergovernmental Payables	567,387
Other	<u>4,680</u>
Total Accounts Payable and Accrued Liabilities	<u>\$ 19,787,819</u>

NOTE 7 - LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities - A summary of changes in the long-term liabilities for the year ended June 30, 2011, are presented as follows:

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2011</u>	<u>Current Portion</u>
Bonds Payable	\$ 87,205,000	\$	\$ 1,375,000	\$ 85,830,000	\$ 2,195,000
Certificates of Participation				0	
Add/Deduct Premium/Discount	(342,007)		(14,496)	(327,511)	
Deduct Deferred Charge on Refunding	<u>(723,967)</u>		<u>(56,782)</u>	<u>(667,185)</u>	
Total Revenue Bonds and Certificates of Participation Payable	<u>86,139,026</u>	<u>0</u>	<u>1,303,722</u>	<u>84,835,304</u>	<u>2,195,000</u>
Notes Payable	851,173	6,532,959	851,173	6,532,959	274,460
Arbitrage Rebate Payable				0	
Capital Leases Payable	503,914	5,622,271	1,228,083	4,898,102	1,107,624
Compensated Absences	6,445,413	4,665,730	3,986,963	7,124,180	598,431
Annuity and Life Income Payable				0	
Pollution Remediation Payable				<u>0</u>	
Total Long-Term Liabilities	<u>\$ 93,939,526</u>	<u>\$ 16,820,960</u>	<u>\$ 7,369,941</u>	<u>\$ 103,390,545</u>	<u>\$ 4,175,515</u>

Additional information regarding capital lease obligations is included in Note 8

B. Revenue Bonds Payable - The University was indebted for revenue bonds payable for the purposes shown in the following table:

Purpose	Series	Ranges	Date	of Issue	June 30, 2011	June 30, 2011
Revenue Bonds Payable						
The University of North Carolina System Pool Revenue Bonds						
Housing System Revenue Bonds	2004B	3.0% TO 5.0%	04/01/2023	\$ 8,670,000	\$ 2,470,000	\$ 6,200,000
Housing System, Parking Facility	2009C	3.0% to 5.50%	10/01/2034	60,675,000	600,000	60,075,000
Total University of North Carolina System Pool Revenue Bonds				69,345,000	3,070,000	66,275,000
NCCU Real Estate Foundation						
Real Estate Foundation	2003A	Variable	10/01/2034	21,475,000	1,920,000	19,555,000
Total NCCU Real Estate Foundation, Inc. Housing System				21,475,000	1,920,000	19,555,000
Total Revenue Bonds Payable (principal only)				\$ 90,820,000	\$ 4,990,000	\$ 85,830,000
Less: Unamortized Discount						(327,511)
Deferred Charge on Refunding						(667,185)
Total Revenue Bonds Payable						\$ 84,835,304

The University has pledged future revenues, net of specific operating expenses, to repay revenue bonds and certificates of participation as shown in the table below:

Ref	Revenue Source	Total Future Revenues Pledged	Current Year			Estimate of % of Revenues Pledged
			Revenues Net of Expenses	Principal	Interest	
(1)	Housing Revenues Real Estate	24,945,722	517,856	385,000	50,485	26.02%

C. Demand Bonds - Included in bonds payable are several variable rate demand bond issues. Demand bonds are securities that contain a “put” feature that allows bondholders to demand payment before the maturity of the debt upon proper notice to the University’s remarketing or paying agents.

With regards to the following demand bonds, the University has not entered into legal agreements, which would convert the demand bonds not successfully remarketed into another form of long-term debt.

Student Housing Facilities Revenue Bonds (Series 2003):

In October of 2003, the North Carolina Capital Facilities Finance Agency issued revenue bonds totaling \$21,575,000 consisting of Series 2003A for \$21,475,000 and Series 2003B for \$100,000. Both series were issued to provide funds to the Real Estate Foundation (Foundation) for the purpose of financing the acquisition and construction of certain student housing facilities (the Project) at North Carolina Central University. The bond proceeds were used to fund a portion of construction period interest, to fund a debt service

reserve fund for the 2003A bonds, and to pay certain costs of issuance of the bonds. The University entered into a loan agreement with the Foundation dated October 1, 2003, whereby the bond proceeds were loaned to the Foundation. Under the terms of the loan agreement, the Foundation agrees to provide funds for the principal and interest payments due on the bonds. The loan will be repaid over a 30-year period with variable interest rates set on a weekly basis, which was .08% for Series 2003A Bonds at June 30, 2011. The interest rate can be converted from time to time to another interest rate made at the option of the Foundation given certain established criteria. The 2003A Bonds are subject to mandatory sinking fund redemption at the principal amount on the interest payment dates.

The payment of principal and interest on the Series 2003A bonds is secured by an irrevocable, direct-pay letter of credit issued by a financial institution, which originally expired on October 15, 2006. The letter of credit was subsequently extended until August 31, 2013, by request from the Foundation by delivering a notice of extension to the Trustee. The Foundation is entitled to draw up to \$20,165,987. A commitment fee was paid to the financial institution in the amount of \$109,098 for the letter of credit on the date the bonds were issued. The Foundation is required to pay a quarterly fee for the letter of credit of 1.5% per annum based on the unused portion of the letter of credit commitment. The Foundation paid credit facility fees in the amount of \$252,695 during the year ended June 30, 2011. The total amount drawn and paid on the letter of credit for the year ended June 30, 2011 was \$435,485.

Under the letter of credit agreement, the proceeds of each drawing under the letter of credit to pay the portion of the purchase price of Series 2003A bonds allocable to principal will constitute a tender advance and must be reimbursed as provided in the agreement. The Foundation is required to repay each tender advance to Wachovia Bank, N.A. plus an interest rate of prime plus 1.0%. According to the Reimbursement Agreement Amendment dated May 2008, the amount of any tender advance made is repaid based on the earliest to occur of the date the credit provider bonds purchased pursuant to such tender advances are remarketed, the close of business on the date that is 366 days after the tender was made, and/or the termination date.

The Series 2003A have remarketing fees, an upfront charge paid to the remarketing agent to reset the interest rates on a weekly basis. At June 30,

2011, the remarketing fee rate for the bonds was .125%. During the year ended June 30, 2011, the Foundation paid remarketing fees of \$24,424.

Swap Payments and Associated Debt: As rates vary, variable-rate debt and net swap payments will vary. As of June 30, 2011, debt service requirements of the University's outstanding variable-rate debt and net swap payments, assuming current interest rates remain the same, for their terms were as follows:

Fiscal Year Ending June 30	Interest Rate Swap					Total
	Principal	Variable-Rate Bond Interest	Letter of Credit	Remarketing	Interest Rate Swaps, Net	
2012	\$ 405,000	15,475	232,132	24,180	262,509	\$ 939,296
2013	430,000	15,094	226,406	23,584	276,158	971,242
2014	455,000	14,734	221,010	23,022	227,667	941,433
2015	480,000	14,354	215,314	22,429	242,803	974,900
2016	505,000	13,993	209,887	21,863	236,682	987,425
2017-2021	2,990,000	62,969	944,536	98,389	1,065,183	5,161,077
2022-2026	3,915,000	49,021	735,309	76,595	571,563	5,347,488
2027-2031	5,135,000	26,302	394,533	41,097		5,596,932
2032-2035	5,240,000	12,088	181,323	18,888		5,452,299
Total	<u>\$ 19,555,000</u>	<u>\$ 224,030</u>	<u>\$ 3,360,450</u>	<u>\$ 350,047</u>	<u>\$ 2,882,565</u>	<u>\$ 26,372,092</u>

D. Annual Requirements - The annual requirements to pay principal and interest on the long-term obligations at June 30, 2011, are as follows:

Fiscal Year	Annual Requirements				
	Revenue Bonds Payable			Notes Payable	
	Principal	Interest	Interest Rate Swaps, Net	Principal	Interest
2012	\$ 2,195,000	\$ 3,532,531	\$ 262,509	\$	\$ 314,235
2013	2,290,000	3,453,128	276,158	274,460	314,235
2014	2,400,000	3,371,210	227,667	293,477	301,034
2015	2,500,000	3,283,585	242,803	313,316	286,918
2016	2,615,000	3,191,031	236,682	334,007	271,847
2017-2021	15,095,000	14,289,400	1,065,183	2,012,543	1,096,821
2022-2026	17,155,000	10,905,800	571,563	2,677,347	551,452
2027-2031	20,585,000	6,953,510		627,809	30,198
2032-2035	20,995,000	2,004,887			
Total Requirements	<u>\$ 85,830,000</u>	<u>\$ 50,985,082</u>	<u>\$ 2,882,565</u>	<u>\$ 6,532,959</u>	<u>\$ 3,166,740</u>

The effective interest rate on the variable rate Student Housing Facilities Revenue bonds (including the effect of the swap) is calculated at 3.45% at June 30, 2011. Interest rates are reset each week by the remarketing agent based upon a combination of the University's credit rating and market conditions.

E. Prior Year Defeasances - During prior years, the University defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the University's financial statements. At June 30, 2011, the outstanding balance of prior year defeased bonds was \$5,755,000.

F. Notes Payable - The University was indebted for notes payable for the purposes shown in the following table:

Purpose	Financial Institution	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Paid Through June 30, 2011	Principal Outstanding June 30, 2011
Energy Conservation-Bldgs	Fifth Third Bank	4.80%	12/09/2026	\$ 6,532,959	\$ 0	\$ 6,532,959
Total Notes Payable				<u>\$ 6,532,959</u>	<u>\$ 0</u>	<u>\$ 6,532,959</u>

NOTE 8 - DERIVATIVE INSTRUMENTS

Derivative instruments held at June 30, 2011 are as follows:

Type	Notional Amount	Change in Fair Value		Fair Value at June 30, 2011	
		Classification	Increase	Classification	(Liability)
<i>Hedging Derivative Instruments</i>					
<i>Cash Flow Hedges</i>					
Pay-Fixed Interest Rate		Deferred Outflow of		Hedging	
Swap 2003A Bonds	\$ 7,822,000	Resources	\$ 189,944	Derivatives	\$ (861,724)

Hedging derivative instruments held at June 30, 2011 are as follows:

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms
Pay Fixed Interest Rate Swap	Hedge of Changes in Cash Flows on the Student Housing Facilities Revenue Series 2003A Bonds	\$ 7,822,000	4/1/2024	10/1/2024	Pay 3.515% Receive 70% 1 Mo. LIBOR

The fair value of the pay-fixed interest rate swap was developed by the financial institution. Their method calculates the present value of the future net settlement payments required by the swap assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are

then discounted using the spot rates implied by the current yield curve for LIBOR due on the date of each future net settlement on the swap.

Risks:

Interest Rate Risk: The NCCU Real Estate Foundation, Inc. (Foundation) is exposed to interest rate risk on its interest rate swap. The fair value of this instrument is highly sensitive to interest rate changes. Because bonds are trading at a yield above 70% of USD-LIBOR-BBA Index, the swap has a negative fair value as of June 30, 2011.

Credit Risk: At June 30, 2011, the Foundation was not exposed to credit risk because the swap had a negative fair value. When the fair value of the swap is negative, the Foundation owes the counterparty and, therefore, it does not possess credit risk. However, should interest rates change and the fair value of the swap become positive, the Foundation would be exposed to credit risk. Wachovia's current long-term ratings are AA- by Fitch Ratings, Aa2 by Moody's Investor's Service, and AA by Standard and Poor's Corporation (S&P).

Basis Risk: The swap exposes the Foundation to basis risk when the variable payment received is based on an index other than SIFMA. Should the relationship between LIBOR and SIFMA converge, the synthetic rates on the debt would change. The Foundation receives 70% of 1-month USD-LIBOR-BBA Index. If the relationship of the Foundation's bonds trade to a percentage of LIBOR greater than 70%, the Foundation will experience an increase in debt service above the fixed rate on the swap. The effect of this difference in basis is indicated by the difference between the intended synthetic rate of 3.52% and the actual rate of 3.45% at June 30, 2011. As of June 30, 2011, the rate on the Foundation's bonds was .08% whereas 70% of LIBOR was .132%.

Termination Risk: The swap contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. Termination could result in the Foundation being required to make an unanticipated termination payment.

Rollover Risk: The Foundation is exposed to rollover risk when the swap matures on October 1, 2024. When the swap matures, the interest rate on the underlying debt will return to a variable rate.

NOTE 9 - LEASE OBLIGATIONS

- A. Capital Lease Obligations** - Capital lease obligations relating to general infrastructure are recorded at the present value of the minimum lease payments. Future minimum lease payments under capital lease obligations consist of the following at June 30, 2011:

<u>Fiscal Year</u>	<u>Amount</u>
2012	\$ 1,322,720
2013	1,322,720
2014	1,322,720
2015	1,322,720
2016	94,409
2017-2021	94,408
Total Minimum Lease Payments	5,479,697
Amount Representing Interest (4.004 & 7.90% Rate of Interest)	581,595
Present Value of Future Lease Payments	<u>\$ 4,898,102</u>

General infrastructure acquired under capital lease amounted to \$524,383 at June 30, 2011. Machinery and equipment acquired under capital lease amounted to \$5,341,157 at June 30, 2011.

- B. Operating Lease Obligations** - The University entered into operating leases for equipment. Future minimum lease payments under non cancelable operating leases consist of the following at June 30, 2011:

<u>Fiscal Year</u>	<u>Amount</u>
2012	\$ 130,898
2013	118,497
2014	118,497
2015	9,875
Total Minimum Lease Payments	<u>\$ 377,767</u>

Rental expense for all operating leases during the year was \$682,547.

NOTE 10 - REVENUES

A summary of eliminations and allowances by revenue classification is presented as follows:

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:					
Student Tuition and Fees	<u>\$ 50,781,076</u>	<u>\$ 0</u>	<u>\$ 13,452,798</u>	<u>\$ (278,872)</u>	<u>\$ 37,607,150</u>
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Residential Life	\$ 10,261,366	\$ 132,902	\$ 2,135,794	\$	\$ 7,992,670
Dining	6,984,490	220,275	1,817,214		4,947,001
Student Union Services	1,351,130		361,011		990,119
Health, Physical Education, and Recreation Services	956,864		189,860		767,004
Bookstore	355,091				355,091
Parking	928,601	600			928,001
Athletic	1,557,821		402,808		1,155,013
Other	1,521,785	1,268,445			253,340
Sales and Services of Education and Related Activities	910,349	6,425			903,924
Independent Operations					0
Total Sales and Services	<u>\$ 24,827,497</u>	<u>\$ 1,628,647</u>	<u>\$ 4,906,687</u>	<u>\$ 0</u>	<u>\$ 18,292,163</u>
Nonoperating - Noncapital Gifts	<u>\$ 166,914</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 166,914</u>

NOTE 11 - OPERATING EXPENSES BY FUNCTION

The University's operating expenses by functional classification are presented as follows:

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 63,173,648	\$ 5,763,963	\$ 4,992,274	\$	\$ 450,090	\$	\$ 74,379,975
Research	4,378,803	1,701,646	1,910,152				7,990,601
Public Service	1,277,184	84,813	330,500				1,692,497
Academic Support	10,491,130	3,381,088	1,626,255				15,498,473
Student Services	3,437,912	331,033	1,307,145				5,076,090
Institutional Support	17,151,996	2,392,826	4,316,824		416		23,862,062
Operations and Maintenance of Plant	5,169,749	(85,873)	9,627,073		3,708,405		18,419,354
Student Financial Aid	1,468,753		4,500	16,542,921			18,016,174
Auxiliary Enterprises	11,377,623	2,037,884	14,663,757		873,780		28,953,044
Independent Operations							0
Depreciation						7,408,520	7,408,520
Total Operating Expenses	<u>\$ 117,926,798</u>	<u>\$ 15,607,380</u>	<u>\$ 38,778,480</u>	<u>\$ 16,542,921</u>	<u>\$ 5,032,691</u>	<u>\$ 7,408,520</u>	<u>\$ 201,296,790</u>

- A. **Retirement Plans** - Each permanent full-time employee, as a condition of employment, is a member of either the Teachers' and State Employees' Retirement System or the Optional Retirement Program. Eligible employees can elect to participate in the Optional Retirement Program at the time of employment; otherwise they are automatically enrolled in the Teachers' and State Employees' Retirement System.

The Teachers' and State Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan established by the State to provide pension benefits for employees of the State, its component units, and local boards of education. The plan is administered by the North Carolina State Treasurer.

Benefit and contribution provisions for the Teachers' and State Employees' Retirement System are established by *North Carolina General Statutes* 135-5 and 135-8 and may be amended only by the North Carolina General Assembly. Employer and member contribution rates are set each year by the North Carolina General Assembly based on annual actuarial valuations. For the year ended June 30, 2011, these rates were set at 4.93% of covered payroll for employers and 6% of covered payroll for members.

For the current fiscal year, the University had a total payroll of \$93,868,672, of which \$66,986,060 was covered under the Teachers' and State Employees' Retirement System. Total employer and employee contributions for pension benefits for the year were \$3,302,413 and \$4,019,164, respectively.

Required employer contribution rates for the years ended June 30, 2010, and 2009, were 3.57% and 3.36%, respectively, while employee contributions were 6% each year. The University made 100% of its annual required contributions for the years ended June 30, 2011, 2010, and 2009, which were \$3,302,413, \$2,335,363, and \$2,075,446, respectively.

The Teachers' and State Employees' Retirement System's financial information is included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Proceed directly to OSC's index page," then "Reports," or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

The Optional Retirement Program (Program) is a defined contribution retirement plan that provides retirement benefits with options for payments to beneficiaries in the event of the participant's death. Administrators and eligible faculty of the University may join the Program instead of the Teachers' and State Employees' Retirement System. The Board of Governors of The University of North Carolina is responsible for the administration of the Program and designates the companies authorized to offer investment products or the trustee responsible for the investment of

contributions under the Program and approves the form and contents of the contracts and trust agreements.

Participants in the Program are immediately vested in the value of employee contributions. The value of employer contributions is vested after five years of participation in the Program. Participants become eligible to receive distributions when they terminate employment or retire.

Participant eligibility and contributory requirements are established by General Statute 135-5.1. Employer and member contribution rates are set each year by the North Carolina General Assembly. For the year ended June 30, 2011, these rates were set at 6.84% of covered payroll for employers and 6% of covered payroll for members. The University assumes no liability other than its contribution.

For the current fiscal year, the University had a total payroll of \$93,868,672, of which \$21,680,899 was covered under the Optional Retirement Program. Total employer and employee contributions for pension benefits for the year were \$1,482,973 and \$1,300,854, respectively.

B. Deferred Compensation and Supplemental Retirement Income Plans - IRC Section 457 Plan - The State of North Carolina offers its permanent employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through the North Carolina Public Employee Deferred Compensation Plan (the Plan). The Plan permits each participating employee to defer a portion of his or her salary until future years. The deferred compensation is available to employees upon separation from service, death, disability, retirement, or financial hardships if approved by the Board of Trustees of the Plan. The Board, a part of the North Carolina Department of Administration, maintains a separate fund for the exclusive benefit of the participating employees and their beneficiaries, *the North Carolina Public Employee Deferred Compensation Trust Fund*. The Board also contracts with an external third party to perform certain administrative requirements and to manage the trust fund's assets. All costs of administering and funding the Plan are the responsibility of the Plan participants. No costs are incurred by the University. The voluntary contributions by employees amounted to \$118,556 for the year ended June 30, 2011.

IRC Section 401(k) Plan - All members of the Teachers' and State Employees' Retirement System and the Optional Retirement Program are eligible to enroll in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the Plan are the responsibility of the Plan participants. No costs are incurred by the University except for a 5% employer contribution for the University's law enforcement officers, which is mandated under General Statute 143-166.30(e). Total employer contributions on behalf of University law enforcement officers for the year

ended June 30, 2011, were \$12,897. The voluntary contributions by employees amounted to \$372,001 for the year ended June 30, 2011.

IRC Section 403(b) and 403(b)(7) Plans - Eligible University employees can participate in tax sheltered annuity plans created under Internal Revenue Code Sections 403(b) and 403(b)(7). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity is received or the contributions are withdrawn. These plans are exclusively for employees of universities and certain charitable and other nonprofit institutions. All costs of administering and funding these plans are the responsibility of the Plan participants. No costs are incurred by the University. The voluntary contributions by employees amounted to \$921,451 for the year ended June 30, 2011.

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS

- A. Health Benefits** - The University participates in the Comprehensive Major Medical Plan (the Plan), a cost-sharing, multiple-employer defined benefit health care plan that provides postemployment health insurance to eligible former employees. Eligible former employees include long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of the Teachers' and State Employees' Retirement System or the Optional Retirement Program. Coverage eligibility varies depending on years of contributory membership service in their retirement system prior to disability or retirement.

The Plan's benefit and contribution provisions are established by *North Carolina General Statute* 135-7 and Chapter 135, Article 3A, of the General Statutes and may be amended only by the North Carolina General Assembly. The Plan does not provide for automatic post-retirement benefit increases.

By General Statute, a Retiree Health Benefit Fund (the Fund) has been established as a fund in which accumulated contributions from employers and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and applicable beneficiaries. By statute, the Fund is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System and contributions to the fund are irrevocable. Also by law, Fund assets are dedicated to providing benefits to retired and disabled employees and applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to the Fund. Contribution rates to the Fund, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly.

For the current fiscal year the University contributed 4.9% of the covered payroll under the Teachers' and State Employees' Retirement System and the Optional Retirement Program to the Fund. Required contribution rates for the years ended June 30, 2010, and 2009, were 4.5% and 4.1%, respectively. The University made 100% of its annual required contributions to the Plan for the years ended June 30, 2011, 2010, and 2009, which were \$4,344,681, \$3,878,540, and \$3,359,940, respectively. The University

assumes no liability for retiree health care benefits provided by the programs other than its required contribution.

Additional detailed information about these programs can be located in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.ncosc.net/> and clicking on "Proceed directly to OSC's index page," then "Reports," or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

- B. Disability Income** - The University participates in the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to provide short-term and long-term disability benefits to eligible members of the Teachers' and State Employees' Retirement System and the Optional Retirement Program. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes, and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases.

Disability income benefits are funded by actuarially determined employer contributions that are established by the General Assembly. For the fiscal year ended June 30, 2011, the University made a statutory contribution of .52% of covered payroll under the Teachers' and State Employees' Retirement System and the Optional Retirement Program to the DIPNC. Required contribution rates for the years ended June 30, 2010, and 2009, were .52% and .52%, respectively. The University made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2011, 2010, and 2009, which were \$461,068, \$448,187, and \$426,139, respectively. The University assumes no liability for long-term disability benefits under the Plan other than its contribution.

Additional detailed information about the DIPNC is disclosed in the State of North Carolina's *Comprehensive Annual Financial Report*.

NOTE 14 - RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled via a combination of methods, including participation in State-administered insurance programs, purchase of commercial insurance, and self-retention of certain risks. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

Tort claims of up to \$1,000,000 are retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$10,000,000 via contract with a private insurance company. The University pays the premium, based on a composite rate, directly to the private insurer.

The University is required to maintain fire and lightning coverage on all State-owned buildings and contents through the State Property Fire Insurance Fund (Fund), an internal service fund of the State. Such coverage is provided at no cost to the University for Operations supported by the State's General Fund. Other operations not supported by the State's General Fund are charged for the coverage. Losses covered by the Fund are subject to a \$5,000 per occurrence deductible. However, some agencies have chosen a higher deductible for a reduction in premium. The University also purchased through the Fund extended coverage, vandalism and "all risk" for certain buildings and contents. In addition, the University also purchased broad form coverage for all State General Funded Building as well as their contents.

All State-owned vehicles are covered by liability insurance through a private insurance company and handled by the North Carolina Department of Insurance. The liability limits for losses are \$1,000,000 per claim and \$10,000,000 per occurrence. The University pays premiums to the North Carolina Department of Insurance for the coverage.

The University is protected for losses from employee dishonesty and computer fraud. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. Universities are charged a premium by the private insurance company. Coverage limit is \$5,000,000 per occurrence. The private insurance company pays 90% of each loss less a \$75,000 deductible.

The University purchased other authorized coverage from private insurance companies through the North Carolina Department of Insurance and State's Agent of Record. Examples of insurance policies purchased include, but are not limited to fine arts, boiler and machinery, medical professional liability, athletic accident, excess liability, university internship and study abroad health insurance.

University employees and retirees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a discretely presented component unit of the State of North Carolina. The Plan has contracted with third parties to process claims.

The North Carolina Workers' Compensation Program provides benefits to workers injured on the job. All employees of the State and its component units are included in the program. When an employee is injured, the University's primary responsibility is to arrange for and provide the necessary treatment for work related injury. The University is responsible for paying medical benefits and compensation in accordance with the North Carolina Workers' Compensation Act. The University retains the risk for workers' compensation.

Term life insurance (death benefits) of \$25,000 to \$50,000 is provided to eligible workers. This Death Benefit Plan is administered by the State Treasurer and funded via employer contributions. The employer contribution rate was .16% for the current fiscal year.

Additional details on the State-administered risk management programs are disclosed in the State's *Comprehensive Annual Financial Report*, issued by the Office of the State Controller.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

- A. **Commitments** - The University has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$15,286,669 at June 30, 2011.
- B. **Pending Litigation and Claims** - The University is a party to litigation and claims in the ordinary course of its operations. Since it is not possible to predict the ultimate outcome of these matters, no provision for any liability has been made in the financial statements. University management is of the opinion that the liability, if any, for any of these matters will not have a material adverse effect on the financial position of the University.

NOTE 16 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2011, the University implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No.59, *Financial Instruments Omnibus*.

GASB Statement No. 59 updates the disclosure and reporting requirements for certain financial instruments and external investment pools.

NORTH CAROLINA CENTRAL UNIVERSITY



2011 Rose Parade featuring NCCU Sound Machine

2011 Supplemental Info Section

Alumni & Friends

Since 1910, alumni have collectively worked to advance the University. The Office of Alumni Relations plays an integral role, working with over 30,000 alumni and friends. Our website is committed to providing alumni with information 24/7, keeping you connected with details about the campus, engaged through programs and events and aware of opportunities to continue the legacy of "Truth and Service".

As the nation's first state-supported liberal arts college for African-American students, today, we continue to lead the way with noted appearances in the U.S. News & World Report rankings, alumni recognition in Black Enterprise, students' performances on the world's stage and much more. No matter when you attended dear ole' N.C.C., we all share a common bond - an interest in seeing the Eagles Soar!

For more than a century, North Carolina Central University has been changing lives and creating leaders. We hope you take full advantage of all the ways NCCU offers alumni to connect with each other and our great University.

Office of Alumni Relations website: [NCCU Alumni](http://nccu.edu/alumni)



School of Law

The School of Law offers a challenging curriculum and it is one of the most affordable and diverse law schools in the country. We offer two programs leading to the Juris-Doctor degree: a full-time day program and the only part-time evening program between Atlanta, Georgia, and the metropolitan Washington, DC area. Both programs are broad-based and intellectually stimulating, with instruction in legal theory and analytical and practical skills. Our administration and faculty seek to foster a deep sense of personal integrity, professional responsibility and social conscience in each student. The School of Law has a long-standing commitment to public service and educates a significant number of lawyers who are dedicated to providing legal representation to underserved persons and communities. We also adequately prepare our graduates to enter the legal profession in any arena they choose.



Founded in 1939 to provide an opportunity for a legal education to African-Americans, the School of Law now provides this opportunity to a more diverse student body than any other in the nation, as it pertains to race and gender. This environment of diversity better prepares our students to effect positive change in the broader society.

The student body consists of approximately 550 students. Our relatively small size allows for a favorable student-faculty ratio, individual attention, academic support for students, and a sense of community.

For a rigorous and enriching experience, we encourage you to pursue a legal education at NCCU School of Law. This bulletin describes our unique program: one committed to celebrating diversity and advancing justice.

Departmental Website: [NCCU School of Law](#)

NCCU Athletics

North Carolina Central University has won admission to the Mid-Eastern Athletic Conference, returning the Durham institution to a league it helped found but then left 30 years ago.

The Council of Chief Executive Officers voted to admit NCCU as the MEAC's 13th member effective July 1, 2010. With its return to the MEAC, NCCU will now play in the same conference as its most fierce rival, North Carolina A&T State University in Greensboro..



The decision gives NCCU a conference home as it continues to make the transition from a NCAA Division II athletics program to one competing in the top-level, and more expensive, Division I. NCCU is entering its third season of competition in Division I; Duke University, North Carolina State University, the University of North Carolina at Chapel Hill and Campbell University are the other Triangle-area Division I athletic programs.

"This is a significant milestone in North Carolina Central University's transition to Division I," said NCCU Chancellor Charlie Nelms. "Membership in the Mid-Eastern Athletic Conference is a win-win proposition for our student-athletes, alumni and fans – indeed, all our university constituents."

Departmental Website: [NCCU Eagle Pride](#)





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Learn about university news, announcements, events and more. Connect with students, alumni and professors.



Thank you for your interest in North Carolina Central University

We are the nation's first state-supported liberal arts college for African Americans. Our heritage of excellence began in 1910, when Dr. James Shepard founded our institution with only a few students driven by the desire to create a better life for themselves and their families.

North Carolina Central University*1801 Fayetteville Street,*Durham NC 27707

www.nccu.edu